

RACHEL KOHL COMMUNITY LIBRARY, INC

DECEMBER 31, 2019

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Trustees of
RACHEL KOHL COMMUNITY LIBRARY, INC

We have reviewed the accompanying statement of assets, liabilities and net assets – modified cash basis of Rachel Kohl Community Library, Inc. (a nonprofit organization) as of December 31, 2019, and the related statements of support, revenue, expenses and changes in net assets, functional expenses and statement of cash flows – modified cash basis for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the modified cash basis of accounting, as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

Michael J. O'Doherty, P.C.

June 4, 2020

Springfield, Pennsylvania

Rachel Kohl Community Library, Inc
Statement of Assets, Liabilities and
Net Assets - Modified Cash Basis
As of December 31, 2019

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 334,952
Escrow Account	1,355
Total Current Assets	<u>336,307</u>
Fixed Assets, at cost:	
Building	363,000
Accumulated Depreciation	<u>(90,750)</u>
Fixed Assets, net	<u>272,250</u>
Total Assets	<u><u>\$ 608,557</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Current Portion of Notes Payable	<u>\$ 15,570</u>
Total Current Liabilities	15,570
Notes Payable - Non Current Portion	<u>190,791</u>
Total Liabilities	<u>206,361</u>
Net Assets:	
Without donor restrictions	<u>402,196</u>
Total Net Assets	<u>402,196</u>
Total Liabilities and Net Assets	<u><u>\$ 608,557</u></u>

See accompanying notes and independent accountant's review report.

Rachel Kohl Community Library, Inc
Statement of Support, Revenue, Expenses and
Change in Net Assets - Modified Cash Basis
For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>
SUPPORT AND REVENUE	
Support:	
Municipalities	\$ 287,805
State and County Governments	49,337
Use of Contributed Building Costs	13,116
	350,258
Total Support	350,258
Revenue:	
Contributions, Grants and Gifts	54,113
Fundraising	50,448
Library Revenue	83,929
Rental	11,742
Investment Income	1,242
	201,474
Total Revenue	201,474
TOTAL SUPPORT AND REVENUE	551,732
EXPENSES	
Library Programs	368,307
Administration	43,850
Fundraising	9,791
	421,948
TOTAL EXPENSES	421,948
CHANGE IN NET ASSETS	129,784
Net Assets, January 1, 2019	272,412
Net Assets, December 31, 2019	\$ 402,196

See accompanying notes and independent accountant's review report.

Rachel Kohl Community Library, Inc
Statement of Cash Flows - Modified Cash Basis
For the Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets		\$ 129,784
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	<u>\$ 9,308</u>	
Total Adjustments		<u>9,308</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		139,092
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in Escrow Deposit	<u>(804)</u>	
NET CASH USED IN INVESTING ACTIVITIES		(804)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Borrowings on Long Term Debt	-	
Principal Payments on Long Term Debt	<u>(17,729)</u>	
NET CASH USED FOR FINANCING ACTIVITIES		<u>(17,729)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		120,559
CASH AND CASH EQUIVALENTS, JANUARY 1, 2019		<u>214,393</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2019		<u><u>\$ 334,952</u></u>

Interest Expense Paid For the Year Ended December 31, 2019 totalled \$6,726

See accompanying notes and independent accountant's review report.

Rachel Kohl Community Library, Inc
Statement of Functional Expenses - Modified Cash Basis
For the Year Ended December 31, 2019

	Without Donor Restrictions			Total
	Program <u>Expenses</u>	Administration <u>Expenses</u>	Fundraising <u>Expenses</u>	
Payroll	\$ 215,393	\$ 23,933		\$ 239,326
Payroll Taxes	20,868	2,319		23,187
Purchases for Circulating Library	28,644	-		28,644
Occupancy	24,967	2,775		27,742
Library Programs	17,052	-		17,052
Furniture and Equipment	1,395	156		1,551
Telephone	1,717	191		1,908
Utilities	11,001	1,223		12,224
Library Supplies	1,259	-		1,259
Fundraising			9,791	9,791
Interest	6,053	673		6,726
Insurances	7,649	850		8,499
Depreciation	9,308	-		9,308
Professional	-	4,650		4,650
Property Management		3,000		3,000
Office Supplies and Postage	1,376	153		1,529
Other Operating Expenses	7,675	853		8,528
Security	-	-		-
Dues & Memberships	-	1,524		1,524
Keystone Grant For Public Libraries	13,950	1,550		15,500
	<u>\$ 368,307</u>	<u>\$ 43,850</u>	<u>\$ 9,791</u>	<u>\$ 421,948</u>

See accompanying notes and independent accountant's review report.

RACHEL KOHL COMMUNITY LIBRARY, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1-NATURE OF ACTIVITIES

Rachel Kohl Community Library, Inc. (the Library) is a nonprofit organization that was organized as a nonprofit organization under the laws of the Commonwealth of Pennsylvania in 1979. Its stated purpose is to provide a Public Library for the residents in the communities of Bethel Township, Chadds Ford Township, Chester Heights Borough, Concord Township and Thornbury Township.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Library have been prepared on the modified cash basis of accounting, which differs from U.S. generally accepted accounting principles. Under the modified cash basis, certain revenue and the related assets are recognized when received rather than when earned and certain expenses and the related liabilities are recognized when paid rather than when the obligation is incurred. Consequently the Library has not recognized receivables from donors or accounts payable to vendors and the related effects on the change in net assets in the accompanying financial statements. Library materials are expensed when acquired.

Basis of Presentation

Net Assets

The financial statements report net assets and changes in net assets based on the existence or absence of restrictions on use that are placed by donors. The Library has no net assets with donor restrictions. Consequently, the Library reports information regarding its financial position and activities as net assets without donor restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

Use of Estimates

The preparation of financial statements includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

RACHEL KOHL COMMUNITY LIBRARY, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year.

Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

The Library maintains accounts at several financial institutions and one investment program located in Pennsylvania. The accounts in all financial institutions are insured by the FDIC for balances up to \$250,000. Act 72 collateralizes the investment program account.

Property and Equipment

The Library capitalizes property and equipment over \$5,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long these donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed into service. The Library reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from five to thirty-nine years.

NOTE 3-INCOME TAX STATUS

The Library is classified as a Section 501(c)(3) Organization under the Federal Internal Revenue Code and Section 13.2210(e) of the State Revenue and Taxation Code. As a result, it has been determined to be exempt from federal and state income taxes.

RACHEL KOHL COMMUNITY LIBRARY, INC
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2019

NOTE 4-CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2019 consisted of:

Cash – Operating Checking	\$160,272
Cash – Payroll	33,847
PayPal Bank	1,189
Petty Cash	50
PLGIT	<u>139,594</u>
 Total	 <u>\$334,952</u>

NOTE 5-ESCROW DEPOSIT

The Library has an agreement wherein the Library building is managed by a third party property management company. Under the agreement an escrow account is required to be maintained to cover the costs of the property and the property management.

NOTE 6–SOURCES OF SUBSTANTIAL SUPPORT

The Library receives a substantial amount of its support from state, county and township governments. If a significant reduction in the level of this support were to occur, there would be an effect on the Library’s programs and activities.

NOTE 7 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Payroll	Time and effort
Insurances	Time and effort
Occupancy	Square footage
Utilities	Time and effort
Professional Services	Full time equivalent
Telephone	Time and effort

RACHEL KOHL COMMUNITY LIBRARY, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 8– AVAILABILITY AND LIQUIDITY

The following represents the Library’s financial assets at December 31, 2019:

Financial assets at year-end:	
Cash and Cash Equivalents	<u>\$334,952</u>
Total financial assets	334,952
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>-0-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$334,952</u>

The Library’s goal is generally to maintain financial assets to meet 90 days of operating expenses.

NOTE 9–LIBRARY BUILDING AND MORTGAGE

In 2010, the Library acquired the former Concord Township Office Building. The purchase price of the building was \$363,000. Under the terms of the purchase, the Library executed a promissory note for \$363,000 payable to Concord Township.

The interest rate on the mortgage is variable, with an initial rate of 5%, and a term of 15 years. In April 2017, the interest rate was reduced from 5% to 4.5%, with potential interest rate adjustments for each five-year period thereafter. The interest rate increases are subject to a cap of no more than 2% for each five-year period.

As of December 31, 2018, the monthly payment on the mortgage was \$2,871.43, with a remaining principal balance of \$181,218.

The Library refinanced the mortgage effective January 1, 2019 with a fixed interest rate of 3.5% and a term of 30 years. The new monthly payment as of January 1, 2019 is \$804.19. As of December 31, 2019 the remaining principal was \$175,361.

RACHEL KOHL COMMUNITY LIBRARY, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9–LIBRARY BUILDING AND MORTGAGE (Cont.)

In 2017, the Library executed a \$50,000 promissory note with an individual for the purposes of funding operations. The note is interest free and is required to be repaid \$1,000 per month beginning July 1, 2018.

The following is a schedule of expected future mortgage principal payments:

	<u>Amount</u>
2020	\$15,570
2021	15,697
2022	10,828
2023	3,965
2024	4,106
2025 and beyond	<u>156,195</u>
Total	<u>\$206,361</u>

NOTE 10 - OTHER OPERATING EXPENSES - LOCAL EFFORT

The Library benefits from the payment of certain operating expenses that are paid by the Concord Township. The Library is not required to reimburse the Township for these expenses. For the year ended December 31, 2019, the expenses were as follows:

Trash removal & recycling	\$ 6,025
Landscaping	6,180
Winter maintenance & plowing	618
Supplies	<u>293</u>
Total	\$ <u>13,116</u>

NOTE 11–SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 4, 2020, the date that the financial statements were available to be issued.